



**Coalition Against  
Insurance Fraud**



May 20, 2010

To: Lou Felice  
NAIC Health Insurance Solvency Impact Subgroup

Steve Ostlund  
NAIC PPACA Actuarial Subgroup

Via email

**RE: Medical Loss Ratios Under PPACA Section 2718**

Gentlemen:

On behalf of the Coalition Against Insurance Fraud and the National Insurance Crime Bureau (NICB), we are submitting comments on the medical loss ratio provisions in the recently enacted federal health care reform law (Patient Protection and Affordable Care Act of 2010).

The Coalition Against Insurance Fraud is a national broad-based alliance of insurers, consumer groups and government organizations dedicated to combating all forms of insurance fraud through public awareness and advocacy. It is recognized as a leading anti-fraud organization working closely with legislators and regulators in efforts to strengthen anti-fraud efforts at both the state and federal levels. NAIC is a founding member of the Coalition.

The NICB is a national not-for-profit fraud fighting organization composed of over 1,000 property/casualty companies and self-insured organizations. Its mission is to combat insurance fraud through data analytics, investigations, training, legislative advocacy and public awareness. NICB has numerous investigations that cross over among the property/casualty, health care writers and government programs.

The Coalition and NICB both serve as advisors to the NAIC's Antifraud Task Force.

The underlying premise of Section 2718 requires a minimum percentage of health premiums be used to reimburse for clinical services and activities that improve health care quality. Requiring that a vast majority of the premiums collected go for the vital care of consumers should help make health care more affordable for all consumers.

That said, we are concerned that combatting health care fraud could become a casualty in determining the loss ratio of health insurers. Health care insurance fraud is by far the largest insurance crime in the nation, estimated in excess of \$60 billion each year. These are costs that directly lead to increased premiums paid by consumers and decrease the pool of money available to dedicate to health care.

Excluding anti-fraud expenses by insurers in the medical loss ratio would discourage insurers from investing in anti-fraud activities, which would be counter to long-held public policy that encourages insurers to develop effective programs to combat fraud. In fact, most states have requirements similar to NAIC model law that requires insurers to maintain investigation units, develop fraud plans, cooperate with law enforcement and report suspected fraud to state departments of insurance.

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Excluding anti-fraud expenses also could disrupt ongoing efforts between the Departments of Health & Human Services and Justice, and private industry to develop collaborative public/private partnerships to combat fraud. These efforts, of which NAIC also is involved, are crucial because evidence suggests many of the same crooked medical providers and organized rings that defraud government health programs also target private insurers.

Additionally, with PPACA substantially enhancing the federal government's efforts to combat fraud, it is likely that many of the fraud schemes will migrate to the private sector.

Most importantly, however, combating healthcare fraud directly impacts health quality. It is through fraud investigations that it is often found that medical providers are cutting corners on health services, including performing treatment and services that are medically unnecessary and harmful to the patient.

Anti-fraud efforts often are efficient ways to quickly identify and remove bad doctors and clinics from providing health services, whereas regulatory and licensing remedies can take years.

The intent of Section 2718 is to maximize the amount of monies health insurers use to pay claims and improve the quality of health care. We strongly believe that insurer expenditure on anti-fraud will improve the quality of health care and will help reduce the cost of health care and increase the affordability of health care to consumers.

Including anti-fraud expenses in the medical loss ratio speaks to one of the core missions of PPACA in helping to provide affordable health care coverage. It also supports long-held policy advanced by NAIC that combating fraud is in the public interest.

Therefore, we respectfully recommend that the NAIC include anti-fraud efforts in the medical loss ratio of health insurers.

Sincerely,



Dennis Jay  
Executive Director  
Coalition Against Insurance Fraud



Joseph H. Wehrle Jr.  
President & CEO  
National Insurance Crime Bureau